

VALLEY CENTER MUNICIPAL WATER DISTRICT

Regular Board Meeting
Monday, September 17, 2018
Time: 2:00 P.M.
Place: Board Room
29300 Valley Center Road
Valley Center, CA 92082

The Valley Center Municipal Water District Board of Directors' meeting was called to order by President Polito at 2:01 P.M.

ROLL CALL

Board members present were: Directors Polito, Haskell, Broomell, Ferro and Holtz. Staff members present were: General Manager Arant, General Counsel de Sousa Mills, District Engineer Grabbe, Director of Operations Hoyle, Director of Finance and Administration Pugh, Director of IT Pilve, Project Manager Williams, Safety and Regulatory Compliance Supervisor Olson, and Executive Assistant Johnson. Spectator present was: Jacqueline Howells – HGR.

AGENDA CHANGE

Agenda Item 7, Proposed Excess Wastewater Usage Rates for Commercial Developments within the Woods Valley Ranch WRF Service Area, was removed from the agenda.

CONSENT CALENDAR

1. **Upon motion by Ferro, seconded by Broomell and unanimously carried, the following consent calendar items were approved:**

- Minutes of the Board meeting held August 20, 2018
- Audit demand check numbers 152139 through 152357 for August 3 through September 6, 2018 and wire disbursements for August 2018
- Treasurer's Report for month ending July 31, 2018
- Annual Report of Professional and Consulting Agreements/Contracts for FY 2017-18

ACTION AGENDA

2. **Replacement Reserve Policy Amendment – Administrative Code Section 50.2(a):**

An amendment to the Replacement Reserve Policy, to clarify the uses of the replacement reserve funds and the allocation of water and wastewater capacity charge revenues, was requested by District Engineer Grabbe. The current policy restricts the use of reserve funds to the purchase of replacement assets or facilities. Staff proposes the policy be amended to include installation of system upgrades which would include new assets and/or facilities that improve operational efficiency. This would not include installation of additional assets or facilities to increase capacity. Another modification

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would allow replacement reserve funds to be loaned for other purposes provided they are repaid with interest.

Capacity charges consist of a “buy-in” and an “incremental” component. The “buy-in” component is based on the value of current assets, excluding contributed capital and facilities funded from Grant proceeds. The “incremental” component is based on the estimated cost of additional facilities needed to provide the capacity for new connections. The funds received for each component need to be kept separate and utilized only for their intended purposes. Staff proposes to amend the policy to designate that the “incremental” component of capacity charges be applied to the appropriate Capacity Charge Reserve and utilized only for expansion projects. The “buy-in” component of capacity charges would be applied to the appropriate Replacement Reserve for wastewater and the Capital Improvement Reserve for water facilities.

Other modifications proposed for the Reserve Policy include designating that the reserve accounts retain their interest earnings; adding a replacement reserve for the Woods Valley Ranch grinder pumps; and modifying the reserve fund flow diagram summarizing sources of funds and routing of funds for the various reserve accounts.

Upon motion by Ferro, seconded by Haskell and unanimously carried, the following ordinance, entitled:

ORDINANCE NO. 2018-16

**ORDINANCE OF THE BOARD OF DIRECTORS OF
VALLEY CENTER MUNICIPAL WATER DISTRICT
AMENDING THE ADMINISTRATIVE CODE SECTION 50.2(a)
BUDGET POLICIES - RESERVES**

was adopted by the following vote, to wit:

AYES: Directors Polito, Haskell, Broomell, Ferro and Holtz

NOES: None

ABSENT: None

3. Resolution to Reallocate the Old Castle Waterline Replacement Budget:

An amendment to the FY 2018-19 annual Budget to reallocate funds appropriated to the Old Castle Waterline Replacement Project was presented by Project Manager Williams. As discussed last month, following approval of the budget, staff was informed that the County was planning road surface improvements on Old Castle Road between Hwy 395 and Pamoosa Lane starting November 2018. With the County’s 3-year “no cut” policy, and not enough time to complete the project, staff recommended postponing the portion affected by the County’s project and utilize the approved funds by reallocating them to other replacement projects.

The original Old Castle project consisted of 12,700 feet of pipeline replacement and was estimated at \$4.0M. Portions outside the County’s project are estimated as follows:

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1,900 feet east of Pamoosa Lane	\$575,000
Moosa Creek Bridge portion	125,000
Interim Improvements	<u>60,000</u>
	\$760,000

The interim improvements have been completed (a valve in Old Castle and a stub line in Gordon Hill Road). The other portions can begin at this time and would still leave approximately \$3.24M available to be reallocated to other replacement projects. At the regular Board meeting on August 20, 2018, staff presented a list of potential projects for review and was directed to further evaluate the list and prepare an amendment to the FY 2018-19 budget for consideration.

Following their evaluation, staff recommended adoption of Resolution No. 2018-20, amending the FY 2018-19 budget to transfer \$3.1M from the Old Castle Waterline Replacement Project and establish the following projects, which are ranked here by importance:

Alps Way Pipeline	\$225,000
Gordon Hill Pipeline, Phase I	500,000
Reidy Canyon Reservoir Outlet Pipelines	300,000
Hell Hole Canyon Pipeline	775,000
Oat Hill Discharge Pipeline	575,000
Rock Hill Road Intertie	125,000
Lilac Road Pipeline Upsizing, Phase I	<u>600,000</u>
Total Estimated Cost	\$3,100,000

Upon motion by Broomell, seconded by Haskell and unanimously carried, the following resolution, entitled:

RESOLUTION NO. 2018-20

**RESOLUTION OF THE BOARD OF DIRECTORS OF
VALLEY CENTER MUNICIPAL WATER DISTRICT
AMENDING THE FISCAL YEAR 2018-19 BUDGET
BY REALLOCATING \$3,100,000 TO
VARIOUS WATERLINE IMPROVEMENT PROJECTS**

was adopted by the following vote, to wit:

AYES: Directors Polito, Haskell, Broomell, Ferro and Holtz
NOES: None
ABSENT: None

GENERAL MANAGER'S AGENDA

4. Mutual Services Agreement Between Fallbrook PUD and VCMWD – Vector Truck Services:

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Fallbrook Public Utility District (FPUD) has expressed interest in exploring functionally consolidated activities starting with Vactor Truck services for VCMWD's two wastewater service areas. Currently, the District contracts with private service providers to clean wastewater collection lines and various channels and chambers at treatment plants. VCMWD has budgeted \$34,500 (\$30,000 – Moosa, \$4,500 – Woods Valley) this fiscal year for Vactor Truck services. FPUD has offered the same services for \$28,000, or a 19% savings.

Although the savings to the District for this item is not dramatic, this agreement will open the door for other shared services between agencies. The fact that two government agencies are sharing resources to reduce costs is significant and should be evaluated on at least a trial basis, reported General Manager Arant.

Best, Best and Krieger, who serves as General Counsel for both agencies, drafted an agreement for FPUD which includes a not to exceed amount of \$30,000. VCMWD has waived any legal conflict, given the limited nature of the agreement.

Upon motion by Haskell, seconded by Ferro and unanimously carried, the following resolution, entitled:

RESOLUTION NO. 2018-19

**RESOLUTION OF THE BOARD OF DIRECTORS
OF VALLEY CENTER MUNICIPAL WATER DISTRICT
AUTHORIZING THE GENERAL MANAGER TO ENTER INTO
A MUTUAL SERVICES AGREEMENT WITH THE
FALLBROOK PUBLIC UTILITY DISTRICT**

was adopted by the following vote, to wit:

AYES: Directors Polito, Haskell, Broomell, Ferro and Holtz

NOES: None

ABSENT: None

5. WaterFix Impact on MWD Service Area Agriculture - Status Report:

As previously discussed, Metropolitan Water District (MWD) plans on underwriting and building the Twin Tunnel project (WaterFix). MWD's action on WaterFix will provide capacity for Central Valley Agriculture without requiring it be paid for unless those interests decide to opt in at some future date. Since the cost impact on agricultural customers will be approximately \$300+ per acre foot, staff felt the same option to participate or not should also be afforded to commercial agriculture in the MWD service area. After drafting a letter to MWD, staff contacted other ag related agencies and enlisted the California Avocado Commission, the Riverside and San Diego Farm Bureaus, and five other San Diego water agencies to join the effort and sign on to the letter.

General Manager Arant attended MWD Committee Meetings on September 10th and 11th in Los Angeles and took the opportunity to talk informally with several key MWD

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Board Members about this issue. The idea was not warmly received, conveyed Mr, Arant, but raised some valid points which will be considered. The cost impact from WaterFix is not expected until well into the 2020's. A response letter from MWD is expected to be forthcoming.

6. Water Professionals Appreciation Week October 6 – 14, 2018:

Water Professionals Appreciation Week was established by Senate Concurrent Resolution (SCR) 80 and approved by the Legislature on September 13, 2017. Under SCR 80, Water Professionals Appreciation Week begins on the first Saturday of October and ends on the Sunday of the following weekend. This year's will run from October 6th to the 14th.

Staff recommended adoption of Resolution No. 2018-18, proclaiming October 6 – 14, 2018 as Water Professionals Appreciation Week.

Upon motion by Broomell, seconded by Haskell and unanimously carried, the following resolution, entitled:

RESOLUTION NO. 2018-18

**RESOLUTION OF THE BOARD OF DIRECTORS
OF VALLEY CENTER MUNICIPAL WATER DISTRICT
PROCLAIMING OCTOBER 6-14, 2018 AS
WATER PROFESSIONALS APPRECIATION WEEK**

was adopted by the following vote, to wit:

AYES: Directors Polito, Haskell, Broomell, Ferro and Holtz
NOES: None
ABSENT: None

7. San Diego County Water Authority's Board of Directors Meeting:

A written summary of the SDCWA Board of Directors' Meeting of August 23, 2018 was provided for Board review.

MISCELLANEOUS

8. The following miscellaneous items were reported by General Manager Arant:

- District Status Report for July was provided for review.
- The District's solar facilities are approaching one million dollars in savings.
- Entered the third phase of a Comprehensive Energy Analysis contract with Dr. Lon House. He is currently looking into battery storage at some existing solar facilities, the potential for several more solar locations (including the corporate facility), and expanding solar at Miller Pump Station, Betsworth and Moosa.

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- Since 1994, the District has returned to its agricultural customers a total of \$138M in ag discounts.

GENERAL COUNSEL AGENDA

9. General Counsel de Sousa Mills reported on the following items:

- The Water Tax that became a voluntary remittance/contribution failed in the legislature. However, Assembly Members Eduardo Garcia and Heath Flora will re-introduce it in 2019.
- Waiting for the Governor's response to SB 998; the bill that will change the way agencies terminate water service.

ADJOURNMENT

10. Upon motion by Haskell, seconded by Ferro and unanimously carried, the regular meeting of the Board of Directors was adjourned at 2:59 p.m.

ATTEST:

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President

Secretary

Approved at a regular meeting of the Board of Directors on October 1, 2018